Watching the Great Recession DENT the Economy

Over time, the economy tends to establish patterns. One way of characterizing an economic shock, like a recession, is that it can disrupt or "dent" the normal historical patterns (patterns that show up best when graphed).

Therefore, something as heavy-handed as the Great Recession should produce noticeable dents in Utah's historical economic patterns. Take, for example, the profile by age groups of people separated from jobs. There are constant hiring and separations within the economy—a constant churn in the labor market. This is promoted by either the nature of some industries, or the nature of some individuals. One must remove this "frivolous turnover" that constantly occurs in the economy and get down to the more stable aspect of the labor force to evaluate the detrimental impact of the recession upon labor. Therefore, we will narrow its effects upon only workers employed at least three calendar quarters with the same employer (labeled stable employment by the Census Bureau's LED program, our data source for this evaluation). This narrowing still leaves a very sizable chunk of the labor market for evaluation, as more than 80 percent of all employment meets this duration criterion.

Naturally, the youngest age group (16-to-24-year-olds) separates from jobs at the highest rate. It's just the nature of young workers and their initial quest for their perceived fit in the labor market. They account for roughly 33 to 35 percent of all separations on a quarterly basis. This is followed closely by the 25-to-34-year-old age group, which makes up another 28 percent of separations. The remaining older age group falls substantially lower than these younger groups, with their separations being only 15 percent or less of all separations (per older age group).

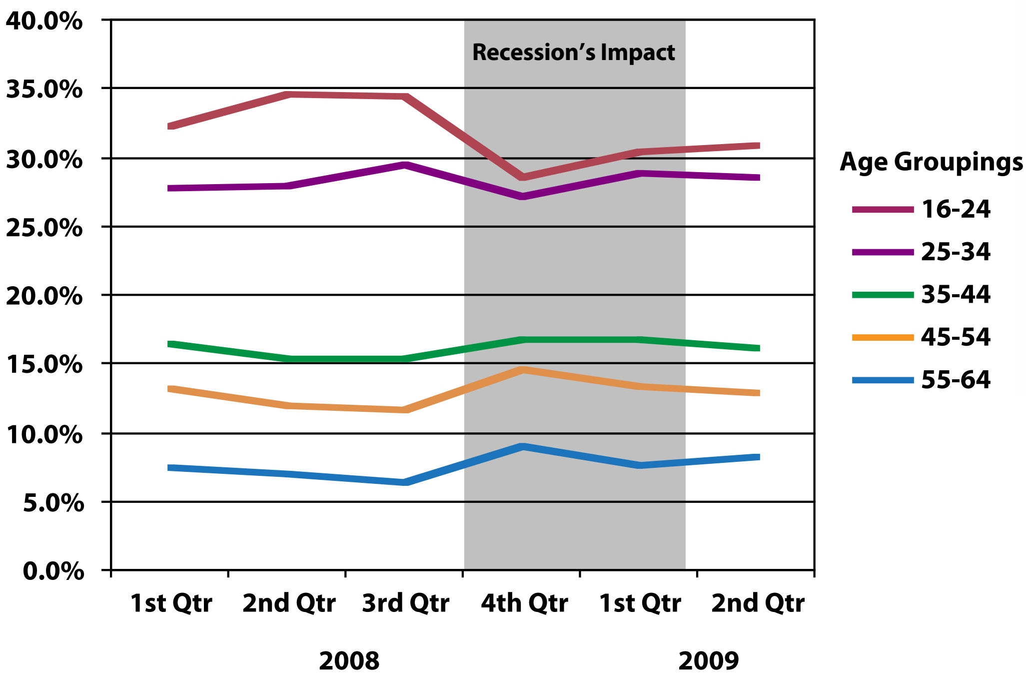
The graph illustrates these separation profiles. But the graph also shows a "dent" in the historical flow, particularly during the fourth quarter of 2008. The Great Recession will be characterized by sizeable job losses. The greatest window of job loss was during the fourth quarter of 2008 and the first quarter of 2009. Workers across all age groups were involuntarily separated from jobs. But something as powerful as the Great Recession bit beyond the normal pattern. Although older workers remained at the lowest levels of layoff activity, the older group's percentage of all separations increased across those two quarters. This reiterates that the recession dug deep—beyond the norm. Even older, more established workers were not beyond the job-loss impact of this downturn. This is getting into the more tenured and experienced workers—the ones who generally form the core foundation of a business' labor force. After those two quarters the graph suggests the separation percentages reverted back to their historical ranges. But the two strong job loss quarters of the Great Recession—particularly the fourth quarter of 2008—were quarters where the historical ranges were altered.

Industries particularly affected at that time and deviating from their norms (with increases in older age-group separations) include transportation, education, real estate, construction, and the financial sector.

Percent of Long-Term*

JOB SEPARATIONS

by Calendar Quarter by Age Group: Utah



Source: U.S. Census Bureau, LED data.

** Long-term defined as employed with the same employer for at least three consecutive calendar quarters.*

Separations include voluntary and involuntary.